

CAR DONATION FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

**CAR DONATION FOUNDATION
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YEARS ENDED DECEMBER 31, 2018 AND 2017**

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Car Donation Foundation
St. Louis Park, Minnesota

We have audited the accompanying financial statements of Car Donation Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, the related statement of functional expenses for the year ended December 31, 2018, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Car Donation Foundation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Car Donation Foundation as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 28, 2019

**CAR DONATION FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**

	2018	2017
ASSETS		
Cash and Cash Equivalents	\$ 2,521,084	\$ 2,218,210
Accounts Receivable	634,051	616,792
Prepaid Expenses	49,600	43,774
Inventory, Net	4,903,231	4,744,174
Total Assets	\$ 8,107,966	\$ 7,622,950
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 2,480,525	\$ 2,140,391
Contributions Payable	733,972	659,813
Accrued Fees	676,288	833,144
Total Liabilities	3,890,785	3,633,348
NET ASSETS		
Without Donor Restrictions	4,217,181	3,989,602
Total Liabilities and Net Assets	\$ 8,107,966	\$ 7,622,950

See accompanying Notes to Financial Statements.

**CAR DONATION FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	Without Donor Restrictions	
	2018	2017
REVENUE AND SUPPORT		
Contributed Vehicles Received	\$ 52,202,293	\$ 44,738,223
Auction and Towing Fees	(12,681,670)	(11,999,932)
Net Revenue	39,520,623	32,738,291
EXPENSES		
Program Services Expense:		
Direct Donations to Charities	14,641,043	10,946,862
Other Program Expense	84,833	74,691
Total Program Services Expense	14,725,876	11,021,553
Support Services Expense:		
Management and General	443,347	414,810
Fundraising	24,123,821	20,415,231
Total Supporting Services Expense	24,567,168	20,830,041
Total Expenses	39,293,044	31,851,594
CHANGE IN NET ASSETS	227,579	886,697
Net Assets - Beginning of Year	3,989,602	3,102,905
NET ASSETS - END OF YEAR	\$ 4,217,181	\$ 3,989,602

See accompanying Notes to Financial Statements.

**CAR DONATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	2018			2017	
	Program	Management and General	Fundraising	Total	Total
Wages	\$ 62,500	\$ 125,000	\$ 62,500	\$ 250,000	\$ 208,333
Payroll Taxes	2,923	5,846	2,923	11,692	11,441
Professional Expense	-	-	22,981	22,981	29,424
Legal Fees	-	216,125	-	216,125	201,974
Accounting Fees	-	60,933	-	60,933	60,200
Insurance Expense	6,464	21,278	858	28,600	13,393
Travel Expense	8,898	-	-	8,898	12,791
Advertising	-	-	11,896,276	11,896,276	10,756,645
Donations	14,641,043	-	-	14,641,043	10,946,862
Admin Fees and Administrative Costs	-	-	12,134,235	12,134,235	9,569,887
Rent Expense	4,048	8,096	4,048	16,192	15,718
Bank Fees	-	1,326	-	1,326	1,168
Office Expense	-	4,744	-	4,744	2,633
Bad Debt Expense	-	-	-	-	21,125
Subtotal	<u>14,725,876</u>	<u>443,348</u>	<u>24,123,821</u>	<u>39,293,045</u>	<u>31,851,594</u>
Seller Fees (Netted with Revenue)	<u>12,681,670</u>	<u>-</u>	<u>-</u>	<u>12,681,670</u>	<u>11,999,932</u>
Total Expenses	<u>\$ 27,407,546</u>	<u>\$ 443,348</u>	<u>\$ 24,123,821</u>	<u>\$ 51,974,715</u>	<u>\$ 43,851,526</u>

See accompanying Notes to Financial Statements.

**CAR DONATION FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 227,579	\$ 886,697
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Increase in Assets:		
Accounts Receivable	(17,259)	(26,270)
Inventory, Net	(159,057)	(583,100)
Prepaid Expenses	(5,826)	(32,501)
Increase (Decrease) in Liabilities:		
Accounts Payable	340,134	251,776
Contributions Payable	74,159	39,728
Accrued Fees	(156,856)	92,718
Net Cash Provided by Operating Activities	302,874	629,048
NET INCREASE IN CASH AND CASH EQUIVALENTS	302,874	629,048
Cash and Cash Equivalents - Beginning of Year	2,218,210	1,589,162
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,521,084	\$ 2,218,210

See accompanying Notes to Financial Statements.

**CAR DONATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Activities

Car Donation Foundation (the Organization) was organized in 2007 as a nonprofit corporation and operates exclusively for charitable purposes to facilitate the donation of motor vehicles and other property to charitable organizations. Donors contribute motor vehicles which are sold by wholesale auction houses to the general public. A share of the proceeds realized through the sale of vehicle donations is donated to charity.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and related changes are classified and reported as follows:

Without Donor Restrictions — Those resources not subject to donor-imposed restrictions. These are resources over which the Organization has discretionary control.

With Donor Restrictions — Those resources subject to donor-imposed restrictions that will be satisfied by actions of the Organization or passage of time. These may also have restrictions that they be maintained permanently by the Organization.

The Organization did not have any net assets with donor restrictions at December 31, 2018 and 2017.

Cash Equivalents

All highly liquid investments with a maturity of three months or less are considered to be cash equivalents. The Organization maintains cash balances with banks insured by the Federal Deposit Insurance Corporation (FDIC). These deposits may, from time to time, exceed the balances insured by the FDIC.

Accounts Receivable

The Organization's accounts receivable are amounts due from auction houses for vehicles that have been sold, but the funds have not yet been received by the Organization. There is no allowance recorded for the years ended 2018 and 2017. All amounts are due within one year and are considered fully collectible by management.

**CAR DONATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory (Donated Vehicles Held for Sale)

The Organization's inventory consists of vehicles received from donors that are unsold as of the date of the financial statements. The Organization estimates the December 31, 2018 and 2017 inventory value based on known vehicle sales from January and February of the following fiscal year and the average sale price per vehicle during the current fiscal year. The average sales price per vehicle was \$540.58 and \$513.52 for the years ended December 31, 2018 and 2017, respectively. All of the known sales from January and February of the following year will be valued at their actual sale price. The remaining vehicles are determined to either be abandoned or simply in inventory. For 2018, vehicles that are considered abandoned are vehicles held over 150 days as of December 31, 2018, when a new agreement with the auction house was put in place. There is also an average of 2.2% abandonment that was determined based on historical abandonment trends. For 2017, vehicles that are considered abandoned are vehicles held over 150 days as of December 5th, 2017, when a new agreement with the auction house was put in place. There is also an average of 3% abandonment that was determined based on historical abandonment trends. All vehicles determined to be abandoned are fully reserved for. The remaining vehicles after known sales and abandonment are valued at the average sale price during the current fiscal year.

Contributions Payable

The Organization's contributions payable consists of December donations to charities that were not paid by the Organization until January of the following fiscal year. These year-end donations are determined by the amount of vehicles actually sold before year-end and are based on board approval of the amounts to be paid. Certain charities have a contractual agreement which outlines the terms of contributions provided.

Accrued Fees

The Organization's accrued fees consist of fees owed to auction houses for inventory held as of December 31, 2018 and 2017. The Organization estimates the December 31, 2018 and 2017 accrued fees based on known vehicle sales and associated fees from January and February of the following fiscal year and the average fee per vehicle during the current fiscal year.

Contribution Revenue

The Organization recognizes contribution revenue when the vehicle is donated. Donated value is based on final bid price on the date the vehicle is sold at auction, which approximates fair market value.

Advertising Expense

The Organization expenses advertising costs when the advertising occurs. Advertising and promotion expenses were \$11,896,276 and \$10,756,645 for the years ended December 31, 2018 and 2017, respectively.

**CAR DONATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

Salary and related expenses are allocated based on time spent and the best estimates of management. Certain costs are not allocated; they are directly coded to a function based on the nature of the account. All other expenses are allocated based on the nature of the account.

Income Taxes

The Organization is incorporated as a nonprofit corporation under the applicable laws of the state of Minnesota. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC).

The Organization follows guidance in the income tax standard regarding the recognition of uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The implementation of this guidance had no impact on the Organization's financial status. The Organization's tax return is subject to review and examination by federal authorities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that may affect certain reported amounts and disclosures in the financial statements and accompanying notes. Actual results could differ from these estimates.

Subsequent Events

Subsequent events were evaluated through June 28, 2019, which is the date the financial statements were available to be issued.

Adoption of Accounting Principle

The Organization adopted Financial Accounting Standards Board (FASB) ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities in 2018. These changes were applied retrospectively to ensure comparability with the prior year presented herein, with the exception of the statement of functional expenses which is presented only for the year ended December 31, 2018. The adoption did not impact the Organization's financial position as of December 31, 2018 and 2017 or the changes in its net assets or cash flows for the years then ended.

**CAR DONATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 2 CONCENTRATIONS

The Organization's sole activity is to facilitate the donation of motor vehicles and other property to charitable organizations. The operations of the Organization are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to, the Internal Revenue Service. Changes in the administrative directives, rules and regulations, or the interpretation thereof, may occur with little notice.

Approximately 70% of the auctions were facilitated by one auction house for the year and approximately 42% of the accounts receivable balance at December 31, 2018 was owed by one auction house.

Approximately 48% of the auctions were facilitated by one auction house for the year and approximately 35% of the accounts receivable balance at December 31, 2017 was owed by one auction house.

During 2018 and 2017, management of the Organization's day-to-day fundraising was provided by a company that also provides other services to the Organization. This company accounted for approximately 23% and 22% of the Organization's expenses for the year and approximately 52% and 59% of the Organization's accounts payable at December 31, 2018 and 2017, respectively.

During 2018 and 2017, the Organization used one professional fundraiser to collect and sell 100% of the cars raised as donations to the Organization. The agreement with the professional fundraiser includes set administrative fees charged to the Organization.

NOTE 3 RETIREMENT

The Organization participates in a Section 403(b) retirement plan (a type of defined contribution plan) which covers the Organization's employee. There is no match of contributions from the Organization to the plan.

**CAR DONATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 4 LIQUIDITY DISCLOSURE

Car Donation Foundation has financial assets available within one year of the balance sheet date consisting of the financial assets listed below. None of the assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet. As part of the contractual agreements regarding proceeds from the sale of donated cars, the Foundation receives a set 2% of the gross sales price to fund their general and administrative operations. This 2% does not factor in the amounts paid for contributions to charities. Contributions paid are generally calculated based on the executed agreements. Any cash from the 2% gross fee that is in excess of expenses is reviewed by management monthly and by the Board at their quarterly meetings. This excess cash is free and available to fund additional contributions to nonprofit organizations.

	<u>2018</u>	<u>2017</u>
Cash and Cash Equivalents	\$ 2,521,084	\$ 2,218,210
Accounts Receivable	634,051	616,792
Inventory, Net	<u>4,903,231</u>	<u>4,744,174</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 8,058,366</u>	<u>\$ 7,579,176</u>